

CITY OF EL MONTE



Request for Proposals For Compliance Audit Services Enterprise Funds

BID INFORMATION

Title: Compliance Audit Services - Enterprise Funds
Contact: Ernestine Jones
Phone: (626) 580-2023
Email: ejones@elmonteca.gov

TIMELINE FOR SUBMISSION AND EVALUATION

July 7, 2015	Release of Proposals
July 16, 2015	Deadline for Submission of Questions
July 29, 2015	Proposals due by 3:00 p.m.
Aug. 3-4, 2015	Evaluation of Proposals/Interviews (tentative)
Aug. 18, 2015	Final selection and City Council Award of Contract

SUBMISSION INSTRUCTIONS

Submit Proposals To: Ernestine Jones, Finance Director
City of El Monte
11333 Valley Boulevard
El Monte, CA 91731

Format: Please mail six (6) printed copies including one (1) signed original, and submit one (1) electronic (pdf) copy via email to ejones@elmonteca.gov

Deadline: July 29, 2015 at 3:00 p.m.

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SECTION I – INTRODUCTION AND OVERVIEW

A. Overview of Scope of Services and Terms

The City of El Monte (the City) is requesting proposals from qualified certified public accounting firms to conduct an independent compliance audit of the City's Enterprise Fund financial statements during Fiscal Years 2010 thru 2014. This will include evaluating compliance with applicable City, State and Federal laws.

The scope of work covers a comprehensive audit of current and past financial transactions to determine the following:

- Evaluate and determine if appropriate administrative, operating, and maintenance expenditures have been and are being properly charged to the Sewer Enterprise Fund pursuant to General Accepted Accounting Principles (GAAP) and in compliance with El Monte Municipal Code Section 3.01.
- Evaluate and determine the administrative charges necessary for the efficient operation of the Sewer and Water Enterprise Fund.
- Evaluate and determine if appropriate administrative, operating, and maintenance expenditures have been and are being properly charged to the Water Enterprise Fund pursuant to General Accepted Accounting Principles (GAAP) for operating the enterprise fund.

The scope of work may be further expanded or altered at the recommendation of the firm and approval by the City of El Monte. It is possible that the audit may uncover new facts, unknown data or relevant queries that could change the scope of the audit.

As a guide to the scope of the engagement, refer to the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014 and other required financial reports on the City's website at <http://www.ci.el-monte.ca.us/>

There is no expressed or implied obligation for the City of El Monte to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Firms that submit responses acknowledge their response is a public document. Should any firm believe any portion of its response is confidential or proprietary, it should designate the portion of its response that it does not desire to be disclosed publicly and shall state the grounds for non-disclosure under the California Public Records Act Government Code Section 6250 et seq. The City shall consider this statement in responding to any public records request but shall independently evaluate its obligation to disclose such information in accordance with applicable law.

The City of El Monte reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of El Monte and the firm selected.

B. City General Information and Governance

The following sections provide general information regarding the City of El Monte's governance structure and financial reporting requirements.

- **Profile of the City** - The City of El Monte, incorporated in 1912 as a general law city and operates under a Council/City Manager form of government. It is governed by an elected five-member council. The City serves an area of 10 square miles with a population of 116,000. The City of El Monte's fiscal year begins on July 1 and ends on June 30.

The City of El Monte provides the following services for its residents: Public Works, Street Maintenance, Water, Waste Management, Sewage, Police, Parks and Recreation and Economic Development. The City of El Monte has approximately 256 full-time employees.

- **Fiscal Ad-Hoc Committee** - The Fiscal Ad-Hoc Committee is made up of two (2) Council Members responsible for review of required annual independent audit functions on behalf of the City Council.

C. Operational Information related to the Audit

Information relevant to the operational concerns of conducting an independent compliance audit is provided in the following section:

- **Finance Department Staff** - The Finance Department consists of the Finance Director and thirteen (13) staff members and three (3) contract staff responsible for accounting and financial reporting; budgeting; payroll; accounts payable; revenue collection; banking and treasury functions; investments; business license; purchasing; debt issuance; administration, and other financial disclosures.
- **Information Systems, Records, and Procedures** – Official accounting records are on-site in the Finance Department. Some supporting information may be located in other departments or in storage files. El Monte maintains most accounting records through a financial software package. The software is known as Eden by Tyler Technologies.

The City utilizes budgeting, position budgeting, human resources, accounts payable, purchasing, encumbrance, fixed assets, and accounts receivable; all of which are fully integrated with the general ledger. Subsystems that interface with the general ledger at various levels include HdL system for business licensing and revenue collection, and Kronos timekeeping-related subsystem to be implemented later this year.

While most accounting transactions are entered through Eden, an audit of the Eden system is not requested. It is left to the professional judgment of the audit firm to determine the extent to which the system testing must be performed.

- **Description of City Funds and Account Groups** – The City of El Monte uses the following fund types and account groups.

	Number of Individual Funds
Governmental Funds	
General Fund	1
Special Revenue funds	32
Debt Service funds	2
Capital Project funds	3
Proprietary Funds	
Enterprise funds	2
Internal Service funds	3
Fiduciary Funds	
Private-Purpose Trust fund	1
Agency funds	1

SECTION II – PROPOSAL PROCESS

A. Distribution of Request for Proposals

The City will issue the Request for Proposals on July 6, 2015.

B. Question regarding Request for Proposals

Any questions concerning this Request for Proposal must be received either by U.S. Mail or email by 5 p.m. **July 16, 2015** and should be directed to the Finance Director as noted below. Responses to the submitted questions will be provided to all firms selected for proposals by **July 23, 2015**.

Ernestine Jones, Finance Director
City of El Monte, Finance Department
11333 Valley Boulevard
El Monte, CA 91731
E-mail: ejones@elmonteca.gov

Proposals must be submitted (marked "Audit Proposal") on or before 3:00 p.m. on **July 29, 2015** and should not exceed 20 pages. A total of six (6) identical hard copies and one (1) electronic copy (PDF file) must be submitted to:

Ernestine Jones, Finance Director
City of El Monte
11333 Valley Boulevard
El Monte, CA 91731
E-mail: ejones@elmonteca.gov

C. Proposal Submission

Each proposal will be initially reviewed and evaluated in order to select the finalists for the Selection Committee's review and interview. It is anticipated the initial proposal review will be completed by August 4, 2015. The City will notify those firms selected for an interview. Firms not selected for an interview will also be notified that their proposal will no longer be considered unless the Finance Director finds that after the completion of the initial interviews additional firms should be interviewed.

D. Key RFP Process and Review Dates

July 6, 2015	Release of Proposals
July 16, 2015	Deadline for Submission of Questions
July 29, 2015	Proposals due by 3:00 p.m.
Aug. 3-4, 2015	Evaluation of Proposals/Interviews (tentative)
Aug. 18, 2015	Final selection and City Council Award of Contract

E. Date Reports Are Due

The auditor shall provide all drafts, along with supporting documentation in Excel and Word formats, as well as recommendations to the Finance Director within a reasonable time period after the last day of fieldwork. The auditor should be available for any meetings that may be necessary to discuss the draft audit reports. Once all issues of discussion are resolved, the final report shall be delivered to the Finance Director. It is anticipated that this process will be completed and the final product to be delivered by December 1, 2015.

SECTION III – NATURE OF THE SERVICES TO BE PROVIDED

A. Compliance Audit Opinion

The purpose of the compliance audit of current and past financial transactions is to determine the following:

- Compliance with El Monte Municipal Code Section 3.01.
- Evaluate and determine the administrative charges necessary for the efficient operation of an Enterprise Fund.
- Evaluate and determine if appropriate administrative, operating, and maintenance expenditures have been and are being properly charged to the Water Enterprise Fund pursuant to General Accepted Accounting Principles (GAAP) for operating the enterprise fund.

B. Work Papers

The audit firm will prepare all audit work papers necessary for expressing an opinion on the fairness of the presentation of the City's financial statements. Certain schedules to be agreed upon will be provided to the auditors for inclusion in their work papers.

C. Interim Meetings and Reports

Weekly, as necessary, the auditor shall meet with the Finance Director or designee to discuss the status of the audit, outstanding items and information requests, proposals for any cost overruns (which must be approved in advance by the Finance Director), total hours incurred, potential management comments or audit findings, and estimated completion date.

D. Auditor's Communication with the City Council

At the end of the audit engagement, the audit firm will issue an Auditor's Communication with the City Council advising the City of any compliance concerns, significant deficiencies or material weakness in accounting controls, opportunities observed for economies in operations, improvements or identification of weaknesses in internal controls, recommendations for financial management improvements, or improvements in the effectiveness of the City's utilization of financial resources if any such findings are observed. A statement indicating no significant deficiencies or material weaknesses or areas for improvement would be required if no findings exist.

E. Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: City Manager; City Attorney; and the Director of Finance.

F. Exit Conferences

Exit conferences are required at the conclusion of the audit engagement. Conferences will be held with the City Manager, Assistant City Manager, Finance Director or designee. Separate exit conferences may be held with the City Council, or designated representatives, if so requested.

SECTION IV – MANDATORY QUALIFICATIONS OF THE AUDITOR

The purpose of the mandatory qualifications is to demonstrate technical qualifications, competence and capacity of the firms seeking to undertake an independent compliance audit of the City of El Monte Enterprise Funds in conformity with the requirements of this request for proposal. As such, the substance of proposals will carry more weight than their form or manner of presentation. The proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request of proposals requirements.

The following information must be provided by all respondents. The proposer should disclose the local office that will be providing resources for the audit and respond to these qualifications as they relate specifically to that office.

- A. Affirmation that the proposer and all assigned key professional staff are properly licensed for public practice as a Certified Public Accountant in the State of California.

- B. Affirmation the proposer meets the independence requirements of the *Generally Accepted Government Auditing Standards*, as published by the U.S. General Accounting Office.
- C. Affirmation the respondent and any employees proposed to be assigned to this audit do not have a record of substandard audit work nor have any outstanding claim of substandard work or unsatisfactory performance pending with the State Board of Accountancy or other professional organizations.

In addition, respondents shall list all personnel to be assigned to the audit and relevant experience in governmental auditing and the principal office of all assigned personnel. Personnel must have members with three (3) or more years of relevant municipal audit experience. Changes in assigned personnel must be approved by the City.

SECTION V – ASSISTANCE TO PROPOSERS AND ADDITIONAL INFORMATION

The following information discusses the assistance the City agrees to provide the audit firm and additional information.

- A. The auditor's principal contact with the City during the compliance audit will be the City's Finance Director or their designee. City staff will be made available to answer questions and provide assistance. Documentation and certain schedules will be provided to assist in the auditor's work papers.
- B. Information Technology personnel will also be available to provide systems documentation and explanations. The auditor will be provided access to its financial software with limited use of testing, verifying, reports and inquiry functions.
- C. Space will be made available in the Finance Department for audit firm personnel.

SECTION VI – REQUIRED REPORTS

The firm's audit report and recommendations will be presented to the City's Finance Director and Fiscal Ad-Hoc Committee.

The auditing firm shall issue a written report communicating all determinations as detailed in the scope of work, any abnormal financial activity, past or present, including instances of illegal acts, and potential fraudulent activity.

SECTION VII – FORMAT OF RESPONSE

Proposals should be brief and specific.

A. Firm Qualification and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, and the location of the office from which the work on this engagement is to be performed. The

firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements. The firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

B. Partner, Supervisory and Staff Qualifications and Experience for this Engagement

The firm should identify the specific partner who will oversee this engagement; the responsibility levels of specific staff members assigned to the engagement, and indicate whether each such person is licensed to practice as a certified public accountant in California. The firm also should provide information on the governmental auditing experience of each person.

C. Proposer's Approach to the Examination

Proposer should submit a general approach to the audit. The approach should include major areas to be reviewed, philosophy or approach to conducting the audit, as well as proposer's ideas for maintaining open communications with the client.

D. Time Line

Submit a work plan to accomplish the scope of the audit. The work plan should include time estimates for each significant segment of the work and the level of staff to be assigned. Where possible, individuals should be named and their titles provided. The planned use of specialists or subcontractors should be specified.

E. Additional Data

Please provide any additional data not specifically requested in the foregoing sections that the proposer feels is essential to the proposal.

F. Total all-inclusive Maximum Price

The bid should contain all pricing information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses, and must be shown in the following format:

For All Audits/Reports	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total FY 2014-15 Audit
Partner	_____	\$_____	\$_____	\$_____
Manager	_____	\$_____	\$_____	\$_____
Supervisory Staff	_____	\$_____	\$_____	\$_____
Staff	_____	\$_____	\$_____	\$_____
Other (specify):	_____	\$_____	\$_____	\$_____
Out-of-Pocket Expenses, including printing of reports	_____	\$_____	\$_____	\$_____
Total All-Inclusive Maximum Price				\$_____

SECTION VIII – SELECTION CRITERIA

The City shall evaluate firms on two criteria: one in response to criteria specified and overall costs in Phase I, and evaluation and interviews in Phase II. During the evaluation process, the City of El Monte reserves the right, where it may serve the City of El Monte's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. There is no expressed or implied obligation of the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

A. Phase I

Proposers shall be Certified Public Accountants licensed to practice in California. Other evaluation criteria shall include, but not limited to:

1. Responsiveness of the proposal, including demonstration that the firm and personnel assigned understand the operations of city government organization and accounting requirements.
2. Proposed audit procedures.
3. Appropriateness of proposed audit procedures.
4. Time estimates for completion of the audit.
5. Qualifications of firm and the firm's local office, both in general government audits as well as other aspects of government work, including internal control reviews and other related subjects.
6. Ability of the firm to be nationally recognized by bond rating agencies, attorneys, underwriters, bond insurers, and financial institutions.
7. Qualifications of personnel proposed to be assigned to this account. Particular attention will be paid to the government audit experience of personnel.
8. Assurance of reasonable staffing continuity over the contract period.

B. Phase II

Firms successfully meeting the criteria in Phase I will be evaluated and invited to an interview with the Selection Committee in Phase II.

C. Phase III

In Phase III, the most qualified firm(s), as determined in Phases I and II, will be invited to submit engagement contractual agreements and negotiated cost information. The contractual agreement shall include a not-to-exceed amount for completing the compliance audit. The selected firm will be asked to sign a professional services agreement RFP agreeing to its legal provisions and insurance requirements, as detailed. All required proof of insurance documents will be required from the selected firm prior to the City executing the agreement. The City requires a City business license tax certification of the firm.

SECTION IX – RIGHT TO REJECT

The City reserves the right to accept and or reject any or all proposals submitted and/or to request additional information from all proposers. The City also reserves the right to modify any aspects of, terminate, or delay this RFP, the RFP process, and/or the program which is outlined

with this RFP at any time. Contract award will be made, at the sole discretion of the City, to the independent auditor who, based on evaluation of all responses, applying all criteria and oral interviews, is determined to be the best qualified to perform the audit and successful negotiation of the audit engagement agreement. If the City cannot successfully negotiate an audit engagement letter acceptance to both parties, the City reserves the right to award the agreement to any firm determined to be qualified to conduct the audit under Phase II.